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February 2008

# DOD PERSONNEL CLEARANCES

## Improved Annual Reporting Would Enable More Informed Congressional Oversight



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Highlights of [GAO-08-350](#), a report to congressional committees

## Why GAO Did This Study

The Department of Defense (DOD) industry personnel security clearance program has long-standing delays and backlogs in completing clearance requests and difficulties in accurately projecting its future needs for investigations to be conducted by the Office of Personnel Management (OPM). In 2006, Congress mandated that DOD report annually on the future requirements of the program and DOD's efforts to improve it, and that GAO evaluate DOD's first report. Specifically, GAO was required to report on (1) the extent to which the report responds to the issues in the mandate, (2) the number and cost of clearance investigations and adjudications in fiscal years 2000-2006, and (3) the extent to which DOD has developed procedures to estimate future needs, plans to reduce delays and backlogs, and plans to provide funding for the program. To accomplish these objectives, GAO obtained and reviewed laws, executive orders, policies, reports, and other documents related to the security clearance process and interviewed officials from a range of government offices concerned with the clearance process.

## What GAO Recommends

GAO recommended that DOD augment future reports with information on funding needs for additional future years, timeliness data on clearance process phases in addition to the investigation (e.g., adjudication), and measures of quality in the clearance process, to be developed. DOD concurred with each recommendation.

To view the full product, including the scope and methodology, click on [GAO-08-350](#). For more information, contact Brenda Farrell at (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov).

February 2008

# DOD PERSONNEL CLEARANCES

## Improved Annual Reporting Would Enable More Informed Congressional Oversight

### What GAO Found

Although DOD's first annual report responded to the issues specified in the mandate, it did not include certain important information that was available on funding, processing times, and quality. DOD's report limited the funding requirements information for its industry security clearance program to 2007 and 2008, even though the department asserted before Congress in May 2007 that it would need tens of millions of dollars in the future to maintain the infrastructure supporting the program and to cover operating costs. While DOD reported the average total time for DOD industry clearances and the average time to complete all clearance investigations, it did not include information on the time to complete any of the other phases (e.g., adjudication). GAO's September 2006 report suggested that longer delays are found in some phases of the process than in others and that quantifying those delays would be useful. The DOD report was largely silent on measures of quality in the clearance process, which is crucial if agencies are to accept the validity of clearances from other agencies. By not including these types of information, DOD limited the information available to Congress as it oversees the effectiveness of DOD's industry personnel security clearance program.

GAO was unable to report the number and unit cost of investigations and adjudications for fiscal years 2000 through 2004 because data were either unavailable or insufficiently reliable. However, DOD reported that OPM conducted 81,495 and 138,769 investigations of industry personnel in fiscal years 2005 and 2006, respectively, and DOD granted clearance eligibility to 113,408 and 144,608 industry personnel in fiscal years 2005 and 2006, respectively. In estimating unit costs, DOD and OPM did not account for all factors affecting the cost of a clearance—factors that would have made the DOD-provided estimates higher. These factors included (1) the cost of special interviews that are sometimes necessary to resolve discrepancies in information and (2) that top secret clearance adjudications normally take about twice as long as those for secret/confidential clearances.

DOD's procedures and plans are evolving, including procedures for projecting the number of future investigations it will need and plans to reduce backlogs and delays, as well as steps to fund the industry clearance program. In ongoing efforts to address the continued inaccuracy of its projections of future clearance needs, DOD has taken several steps. For example, DOD made its voluntary annual survey of contractors performing classified government work accessible through the Internet in 2006 and began encouraging industry staff to complete it. The response rate increased to 86 percent of industry personnel in 2007. Further, while DOD does not have its own plan to address the funding of its clearance program and its delays in processing clearances, it is currently participating in a governmentwide effort to make clearance processes more efficient and cost-effective. Streamlining and improving the efficiency of its clearance process is also one of DOD's top transformation priorities. In its 2004 report, GAO recommended that DOD implement a comprehensive plan and improve its estimates of future investigation needs.

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## **Abbreviations**

CCMS	Case Control Management System
DISCO	Defense Industrial Security Clearance Office
DOD	Department of Defense
DODIG	Department of Defense, Office of Inspector General
DOHA	Defense Office of Hearings and Appeals
DSS	Defense Security Service
FYDP	future years defense program
JPAS	Joint Personnel Adjudications System
NACLC	national agency check with local agency check and credit check
NARA	National Archives and Records Administration
OPM	Office of Personnel Management
OUSD(C)	Office of the Under Secretary of Defense for the comptroller
OUSD(I)	Office of the Under Secretary of Defense for Intelligence

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**United States Government Accountability Office  
Washington, DC 20548**

February 13, 2008

The Honorable Carl Levin  
Chairman  
The Honorable John McCain  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Ike Skelton  
Chairman  
The Honorable Duncan L. Hunter  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Department of Defense's (DOD) long-standing delays and backlogs (i.e., cases that have exceeded government timeliness requirements) in completing clearance requests, as well as other impediments that hindered DOD's ability to accurately estimate and eliminate its clearance backlog, led us to begin designating DOD's personnel security clearance program as a high-risk area in January 2005.<sup>1</sup> We have also noted that it is crucial for officials granting security clearances to be scrupulous in their decision making because of the potential damage to national security and foreign relations that could result if personnel with security clearances fail to adequately safeguard classified information. In April 2006, DOD briefly stopped processing applications for clearance investigations for industry personnel, attributing the stoppage to a large volume of industry clearance requests and funding problems. In 2006, the John Warner National Defense Authorization Act of 2007 mandated that DOD report annually on the future requirements of the industry personnel security clearance investigations program and that we evaluate DOD's first report in response to this mandate.

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<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005). The areas on our high-risk list receive their designation because they are major programs and operations that need urgent attention and transformation in order to ensure that our national government functions in the most economical, efficient, and effective manner possible.

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DOD's Office of the Under Secretary of Defense for Intelligence [OUSD(I)] has responsibility for determining eligibility for clearances for servicemembers, DOD civilian employees, and industry personnel performing work for DOD and 23 other federal agencies.<sup>2</sup> That responsibility includes obtaining background investigations, primarily through the Office of Personnel Management (OPM). Within OUSD(I), the Defense Security Service (DSS) uses OPM-provided investigative reports to determine clearance eligibility of industry personnel. As of May 2006, industry personnel held about one-third of the approximately 2.5 million DOD-maintained personnel security clearances. Individuals working for private industry play a growing role in national security work conducted by DOD and other federal agencies—as a result of the increased awareness of threats to our national security stemming from the terrorist attacks on the United States on September 11, 2001, and increased efforts over the past decade to privatize federal jobs.

Our prior work has shown that there have been delays in processing clearances for industry personnel. For example, in our September 2006 report, we found that industry personnel contracted to work for the federal government waited more than 1 year on average to receive top secret clearances. Specifically, our analysis of about 2,300 cases showed the clearance process took an average of 446 days for initial top secret clearances and 545 days for renewals of top secret clearances. While the government's goal for the application-submission phase of the process is 14 days or less, this phase took an average of 111 days.

Problems in the clearance program can negatively affect national security. For example, delays in renewing security clearances for personnel who are already doing classified work can lead to a heightened risk of

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<sup>2</sup>DOD, *National Industrial Security Program: Operating Manual*, DOD 5220.22-M (Feb. 28, 2006) notes that heads of agencies are required to enter into agreement with the Secretary of Defense for the purpose of rendering industrial security services. The following 23 departments and agencies have entered into such agreements: (1) National Aeronautics and Space Administration, (2) Department of Commerce, (3) General Services Administration, (4) Department of State, (5) Small Business Administration, (6) National Science Foundation, (7) Department of the Treasury, (8) Department of Transportation, (9) Department of the Interior, (10) Department of Agriculture, (11) Department of Labor, (12) Environmental Protection Agency, (13) Department of Justice, (14) Federal Reserve System, (15) Government Accountability Office, (16) U.S. Trade Representative, (17) U.S. International Trade Commission, (18) U.S. Agency for International Development, (19) Nuclear Regulatory Commission, (20) Department of Education, (21) Department of Health and Human Services, (22) Department of Homeland Security, and (23) Federal Communications Commission.

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disclosure of classified information. In contrast, delays in providing initial security clearances for previously noncleared personnel can result in other negative consequences, such as additional costs and delays in completing national security-related contracts, lost-opportunity costs, and problems retaining the best-qualified personnel. The Intelligence Reform and Terrorism Prevention Act of 2004<sup>3</sup> provided timeliness guidelines that currently require adjudicative agencies to make a determination on at least 80 percent of all applications for a security clearance within an average of 120 days after the date of receipt of the application, with 90 days for the investigation and 30 days for the adjudication. Moreover, as we noted in our prior reports,<sup>4</sup> when clearance investigations or adjudications (determination of eligibility for a clearance) were inadequately or inconsistently documented, DOD was unable to demonstrate that it had fully considered all significant adverse conditions that might call into question an individual's ability to adequately safeguard classified information.

The John Warner National Defense Authorization Act<sup>5</sup> for Fiscal Year 2007 required DOD to include in its annual budget submission to Congress a report on DOD's industry personnel clearance investigations program. Specifically, the law required that DOD report on five items: (1) the funding requirements of the investigations program and the ability of the Secretary of Defense to fund it, (2) the size of the investigation process backlog, (3) the length of the average delay for an individual case pending in the investigation process, (4) any progress made by the Secretary of Defense in implementing planned changes in the investigation process during the 12 months preceding the report date, and (5) a determination, certified by the Secretary of Defense, of whether the investigation process had improved during the 12 months preceding the report date. The mandate specified that DOD shall include this report annually in the defense budget justification documents it submits to Congress. DOD

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<sup>3</sup>Pub. L. No. 108-458.

<sup>4</sup>GAO, *DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process*, GAO-06-1070 (Washington, D.C.: Sept. 28, 2006); *DOD Personnel: More Consistency Needed in Determining Eligibility for Top Secret Security Clearances*, GAO-01-465 (Washington, D.C.: Apr. 18, 2001); and *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, GAO/NSIAD-00-12 (Washington, D.C.: Oct. 27, 1999).

<sup>5</sup>Pub. L. No. 109-364, §347 (2006).

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submitted its 2007 report on August 20, 2007, about 6 months after it submitted its budget justification documents to Congress.

The mandate further specified that we review the initial DOD report and provide additional information to Congress. This additional information is the number and unit cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006; the amount of any surcharge DOD paid to OPM for conducting an investigation; a description of procedures DOD used to estimate the number of investigations to be conducted annually; and a description of DOD's plans to reduce delays and backlogs, adequately fund the investigative process, and establish a more effective and stable investigations program. Therefore, this letter answers the following questions: (1) To what extent does DOD's August 2007 report to Congress address the five issues specified in the mandate? (2) What were the number and cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006? (3) To what extent has DOD developed procedures to estimate the number of investigations to be conducted; plans to reduce delays and backlogs in the clearance program, if any; and provide funding? This report contributes to a larger GAO body of work on DOD's personnel security clearance program. (See the list of related GAO products at the end of this report.)

Our scope was limited to industry personnel whose clearance investigations or adjudications occurred in fiscal year 2000 or later and were the responsibility of OUSD(I). For all three questions, we reviewed laws, executive orders, and policies related to top secret, secret, and confidential security clearance investigations and adjudications. Those sources provided most of the criteria we used to assess the DOD report on personnel security clearances for industry and for the data and planning we examined to address our other two researchable questions. We gained additional insights about causes and effects to explain our findings from reports (e.g., GAO and DOD Office of the Inspector General) and documentary and testimonial evidence from interviews we conducted with personnel associated with a variety of government offices: OUSD(I), DSS, DOD's adjudication facilities for industry personnel clearances, the Office of the Under Secretary of Defense for the Comptroller [OUSD(C)], and DOD's Personnel Security Research Center. To determine the extent to which DOD's report to Congress addressed the five issues specified in Public Law 109-364 (Sec. 347), we compared the findings in the DOD report to the mandated requirements and governmentwide and DOD-wide data quality standards. To determine the number and cost of each type of clearance work performed for industry personnel in fiscal years 2000

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through 2006, we obtained and analyzed investigations-related data from DSS and OUSD(C), as well as adjudications-related data from DOD's two adjudication facilities for industry personnel clearances. When we assessed the reliability of the data pertaining to numbers and costs of investigations and adjudications, we found that some of the information was not available, could not be assessed, or contained discrepancies when compared with data from other sources. Since the data for fiscal years 2000 through 2004 were not sufficiently reliable, we have reported numbers and costs for only fiscal years 2005 and 2006, which were sufficiently reliable for the purposes of this report. To determine the extent to which DOD has implemented plans to make its clearance program more effective and stable by better estimating the numbers of industry clearances needed, reducing delays and backlogs, and providing adequate funding, we reviewed planning documentation that OUSD(I) and DSS officials provided. Additional information on our scope and methodology is presented in appendix I. We conducted this performance audit from May 2007 through February 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results in Brief

While DOD responded in its first annual report to the issues specified in the mandate, it did not include certain important information that was available on funding, times to complete some phases of the clearance process, and quality. In its report, DOD included sections addressing the funding requirements of the personnel security clearance program for industry, and the numbers of initial and renewal investigations for top secret and secret/confidential clearances that were overdue as of July 14, 2007. It also included descriptions of seven actions taken that DOD characterized as progress in the industry clearance program, such as efforts to improve timeliness that are DOD-specific (e.g., adding a capability to electronically submit the applicant's form authorizing the release of medical information) or governmentwide (e.g., submitting all requests for clearance using OPM's Electronic Questionnaires for Investigations Processing). However, for three issues, DOD stated in the report that certain important information was available but not included. First, DOD provided information on funding requirements as mandated, but limited the information to 2007 and 2008. Additional funding information was not included, even though the DSS Director testified to

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Congress in May 2007 that tens of millions of dollars would be needed in the future to maintain the infrastructure supporting the industry personnel security clearance program, in addition to the funding to conduct the investigations for the clearances themselves. DOD regularly submits longer-term financial planning documents, such as its future years defense program, to Congress. Second, although DOD reported the average end-to-end processing time for DOD industry clearances and the average time to complete investigations for all clearances, it did not include the average time to complete other phases of the clearance process, such as the adjudication. As our September 2006 report showed, longer delays are found in some phases of the process than in others.<sup>6</sup> Providing the times to complete other phases of the clearance process in the report would help to highlight where those delays are occurring. Finally, while DOD identified several improvements that it had made to the clearance process, it was largely silent on measures to assess quality in the clearance process. In our September 2006 report, we identified concerns with quality in the clearance process and noted that the lack of full reciprocity of clearances—when a security clearance granted by one government agency is not accepted by another agency—is an outgrowth of agencies' concerns that other agencies may have granted clearances based on inadequate investigations and adjudications. The OUSD(I) Director of Security and the DSS Director told us that several factors influenced their decision not to include these types of information in the DOD report. For example, because information used to project the funding requirements for this program has less accuracy the farther into the future projections are made, DOD decided not to include future funding requirements beyond 1 year. In deciding not to include certain available information in its report to Congress, DOD limited the information available to Congress as it oversees the effectiveness of DOD's industry personnel security clearance program.

We were unable to report the number and unit cost of investigations and adjudications for fiscal years 2000 through 2004, because our data requests and analyses revealed that the information was either unavailable or insufficiently reliable for us to report. However, DOD reported that OPM provided 81,495 and 138,769 clearance investigations on industry personnel in fiscal years 2005 and 2006, respectively; and DOD staff granted clearance eligibility to 113,408 industry personnel in fiscal year

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<sup>6</sup>GAO-06-1070.

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2005 and 144,608 industry personnel in fiscal year 2006.<sup>7</sup> No reliable information is available for fiscal years 2000 through 2004 for reasons including the fact that an electronic database for investigative and adjudicative information was discontinued. While we were able to report DOD's estimated unit costs of security clearances for fiscal years 2005 and 2006, three factors suggest that the actual unit costs would be higher than the estimates we reported if OPM and DOD were to account for all costs. First, DOD's estimated unit cost for an investigation (e.g., \$3,840 for an initial top secret clearance in fiscal year 2006) did not include the expense of special interviews that are sometimes conducted to resolve conflicting information that has arisen in the investigation. Second, DOD's estimated unit cost did not account for a partial refund of about \$7 million—made to DOD in September 2006—of a surcharge DOD paid OPM for all DOD investigations conducted in fiscal years 2005 and 2006. Third, determining the actual unit cost of adjudications for fiscal years 2005 and 2006 would require accounting for several factors that DOD did not include in the data it provided to us. For example, while DSS provided an estimate for the unit cost of adjudications, officials acknowledged that this estimate was rough because, among other things, it did not account for the fact that adjudications for top secret clearances normally take about twice as long as those for secret/confidential clearances.

DOD's procedures for projecting the number of investigations it will need OPM to conduct in the future and its plans to reduce backlogs and delays as well as steps for funding the industry clearance program are evolving. DOD has had problems projecting its departmentwide clearance needs accurately in the past. For example, OPM reported that DOD exceeded its departmentwide projection by 59 percent for the first half of fiscal year 2006. To address these problems, DOD has recently made changes to the methods it uses to estimate the number of future security clearance investigations it needs, and it continues efforts to improve these methods. First, starting in 2006, DSS made its annual survey accessible through the Internet to make it easier for contractors to report estimates of how many initial and renewal clearances they would need in the future. Second, DSS field staff made a more concerted effort to actively encourage industry representatives to complete the voluntary survey. These changes increased the survey response rate from historically low rates of between

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<sup>7</sup>The number of clearances granted in a year may not match the number of investigations conducted in that year because of the time that elapses between completion of the investigation and completion of the adjudication.

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10 and 15 percent of the surveyed facilities providing information to 70 percent of facilities in 2007, which represented 86 percent of industry personnel with a clearance. Third, DSS began performing weekly updates to the investigation projection analysis rather than relying on a onetime annual projection of investigation needs. Fourth, DSS made additional changes to the methodology it uses to analyze the survey data it collects—including accounting for additional variables, such as the size of the responding company. DOD’s Personnel Security Research Center is also researching the feasibility of replacing or supplementing the survey method DSS currently uses with a statistical model for estimating future investigation needs. Although DOD currently has no comprehensive plan to address delays and funding in its clearance program, DSS had been developing such a plan when its effort was supplanted by a new governmentwide effort led by an interagency security clearance process reform. At the same time, OMB, DOD, and other agencies have been focusing attention on making the clearance process more efficient and cost-effective across the federal government. Streamlining the security clearance process is also one of DOD’s top transformation priorities, with the goal of facilitating the granting of personnel security clearances in the shortest time possible and at the lowest possible cost. However, we reported in 2004 that DOD was operating in a reactive mode to improve its clearance program, working piecemeal in response to impediments in the absence of a comprehensive plan to reduce delays. Because DOD has not developed a comprehensive plan to address delays in the industry security clearance program, we continue to believe that our 2004<sup>8</sup> recommendations that DOD develop such a plan and improve its projections of clearance requirements have merit.

In order to provide Congress with more information for its oversight of security clearances for industry personnel, we are recommending that in DOD’s future annual reports, OUSD(I) (1) add projected funding information for additional out years consistent with the future years defense program, (2) provide information on the average time taken to complete each of the phases of the clearance process, and (3) develop and include measures of clearance quality. In its agency comments, OUSD(I) concurred with all three of our recommendations. OUSD(I) noted that DOD agrees the recommended additional information will aid Congress in its oversight role and its future annual reports—starting in 2009—will

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<sup>8</sup> GAO-04-632.

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include the suggested information. DOD's comments are reprinted in appendix II.

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## Background

DOD obtains nearly all of its clearance investigations through OPM,<sup>9</sup> which is currently responsible for 90 percent of the personnel security clearance investigations for the federal government. DOD retained responsibility for adjudicating clearances of servicemembers, DOD civilians, and industry personnel. Two DOD offices are responsible for adjudicating cases involving industry personnel. The Defense Industrial Security Clearance Office (DISCO) within DSS adjudicates cases that contain only favorable information or minor issues regarding security concerns (e.g., some overseas travel by the individual). The Defense Office of Hearings and Appeals (DOHA) within the Defense Legal Agency adjudicates cases that contain major security issues (e.g., an individual's unexplained affluence or criminal history) which could result in the denial of clearance eligibility and possibly lead to an appeal.

Like servicemembers and federal workers, industry personnel must obtain a security clearance to gain access to classified information, which is categorized into three levels: top secret, secret, and confidential. The level of classification denotes the degree of protection required for information and the amount of damage that unauthorized disclosure could reasonably be expected to cause to national security. For top secret information, the expected damage that unauthorized disclosure could reasonably be expected to cause is "exceptionally grave damage;" for secret information, it is "serious damage;" and for confidential information, it is "damage."<sup>10</sup>

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<sup>9</sup>Currently, three DOD agencies (National Security Agency, Defense Intelligence Agency, and the National Reconnaissance Office) have waivers from DOD that allow them to contract for their own personnel security clearance investigations.

<sup>10</sup>5 C.F.R. § 1312.4, (2007).

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## DOD's Report Responded to the Mandated Issues but Did Not Include Certain Important Data on Some Issues

DOD provided information on each issue specified by the mandate, but certain important information on funding, processing times, and quality was limited or absent. DOD divided its nine-page report into five sections, corresponding to the five sections of the law. DOD began with a discussion of the personnel security clearance investigation funding requirements—\$178 million for fiscal year 2007 and approximately \$300 million for fiscal year 2008—and indicated that funds exist to cover the fiscal year 2007 projected costs.<sup>11</sup> In section two, DOD reported the size of the investigative backlog by showing that 21,817 (48 percent) of the applications for clearance investigations for industry personnel which were still pending as of July 14, 2007, were more than 90 days old. In section three, DOD reported OPM statistics that showed the average number of days required to complete investigations as of May 2007.<sup>12</sup> An initial top secret clearance took an average of 211 days; top secret renewals, an average of 334 days; and all secret/confidential initials and renewals, an average of 127 days.<sup>13</sup> The fourth section of DOD's report highlighted seven areas that DOD characterized as progress toward implementing planned changes in the process. These areas included timeliness-improvement actions that were DOD-specific (e.g., adding a capability to electronically submit the applicant's form authorizing the release of medical information) and governmentwide (e.g., submitting all requests for clearances using OPM's Electronic Questionnaires for Investigations Processing). In the fifth section, the Under Secretary of Defense for Intelligence certified that the department had taken actions to improve the industry personnel clearance program during the 12 months

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<sup>11</sup>DOD reported the annualized projected funding requirement for fiscal year 2007 of \$178 million for this program based on the 41-week period from October 1, 2006, through July 14, 2007. In addition, the DOD report indicated that the department's 2006 survey, which provided data for fiscal years 2007 through 2010, indicated an industry personnel security investigations funding requirement that may exceed \$300 million for fiscal year 2008.

<sup>12</sup>The report showed average delay-related information for completed cases but not average delays for pending cases. The report did, however, provide a frequency distribution of times for pending cases. The mandate required that DOD report the length of the average delay for an individual case pending in the investigation process.

<sup>13</sup>OPM performs one investigation—known as the national agency check with local agency check and credit check (NACLC)—for the initial and renewal of both the secret and confidential clearances.

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preceding the report date.<sup>14</sup> DOD supported this finding by including a table showing that the monthly average number of completed industry investigations increased from 13,227 in July 2006 to 16,495 in July 2007.

Certain important information on three of the mandated issues—the program funding requirements, the average processing time, and quality in the clearance process—was limited or absent. First, DOD reported program-funding requirements covering less than 2 years. DOD reported an annualized projected cost of \$178.2 million for fiscal year 2007,<sup>15</sup> a projected funding requirement of approximately \$300 million for fiscal year 2008, and a department statement indicating that it was able to fund the industry personnel security clearance program for the remainder of 2007. The mandate directed DOD to report its funding requirements for the program and the Secretary of Defense's ability to fulfill them. While the report described DOD's immediate needs and ability to fund those needs, it did not include information on (1) the funding requirements for fiscal year 2009 and beyond, even though the survey used to develop the funding requirements asked contractors about their clearance needs through 2010; and (2) the tens of millions of dollars that the DSS Director testified to Congress in May 2007 were necessary to maintain the infrastructure supporting the industry security clearance program. The OUSD(I) Director of Security and the DSS Director told us that the department did not include funding requirements beyond fiscal year 2008 because of concerns about the accuracy of the data used to identify the requirements. They told us that the funding requirements of the program depend on the estimates of the future number of investigations that DSS will obtain from OPM, which DSS determines using its annual survey. They, as well as the report, indicated that because projections made farther into the future are more likely to be inaccurate, DOD decided not to include funding projections beyond 1 future year in the report. The report also stated that the data used to construct the projected funding requirements are available through fiscal year 2010, but the report did not include that information. DOD regularly submits longer-term financial planning documents to Congress. Specifically, the future years defense program (FYDP), which is

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<sup>14</sup>The DSS Director told us that the information in Section V of the DOD report constituted the Secretary of Defense's certification that DOD had taken actions to improve its industry clearance program during the 12 months preceding the report date and that the Under Secretary of Defense for Intelligence was authorized to certify for the Secretary of Defense in this instance.

<sup>15</sup>This annualized projection was based on the 41 weeks from October 1, 2006, to July 14, 2007.

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submitted annually to Congress, contains detailed data projections for the budget year in which funds are being requested and at least the 4 succeeding years. The FYDP is a long-term capital plan and as such provides DOD and Congress with a tool for looking at future funding needs beyond immediate budget priorities.

Second, DOD reported the average investigation times cited earlier but did not include the times for other specific phases of the end-to-end clearance process. DOD reported the average number of days it took to complete investigations for all clearances closed between May 2006 and May 2007 and the average numbers of days to process DOD industry clearances from end to end for all cases adjudicated during the first 6 months of fiscal year 2007. The mandate directed DOD to report the length of the average delay for an individual case pending in the personnel security clearance investigation process. The Intelligence Reform and Terrorism Prevention Act of 2004 requires the processing of at least 80 percent of clearances to be completed within an average of 120 days, including no more than 90 days for the investigation. Although it did not provide times for other clearance phases and was not mandated to do so, DOD's report stated that a joint study conducted by OPM, DSS, and industry identified average times to complete six discrete phases—including the investigation, the time needed to mail investigation reports from OPM to a DOD adjudication facility, and the adjudication. Our September 2006 report<sup>16</sup> showed that longer delays are found in some phases of the process than in others (e.g., our analysis of 2,259 cases showed that the application-submission phase took an average of 111 days to complete instead of the goal of 14 days) and suggested that monitoring each of the phases would help DOD to identify where actions are needed to improve timeliness. The OUSD(I) Director of Security and the DSS Director told us that because the DOD report included both the average time to complete an investigation and the time to process the clearance from start to finish, the department did not include the times to process the additional discrete phases of the clearance process. While the information included in the report provides visibility to the processing times for the investigation and for the entire process, monitoring and reporting times for each phase would help DOD and Congress to identify where actions are most needed to improve timeliness.

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<sup>16</sup> GAO-06-1070.

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Third, DOD documented improvements in the process but was largely silent regarding quality in the clearance processes. While DOD described several changes to the process it characterized as progress, it provided little information on measures of quality used to assess the clearance processes or procedures to promote quality during clearance investigations and adjudications processes. Specifically, the DOD report's section describing improvements noted that DSS, DOD's adjudicative community, and OPM are gathering and analyzing measures of quality for the clearance processes that could be used to provide the national security community with a better product. However, the DOD report did not include any of those measures. When we asked the OUSD(I) Director of Security why the measures of quality were not included, he said the department did not include them because stakeholders in the clearance processes have not agreed on how to measure quality. In September 2006, we identified several areas where OPM-supplied investigative reports and DOD adjudicative data were incomplete. We noted that while eliminating delays in the clearance process is an important goal, the government cannot afford to achieve that goal by providing reports of investigations and adjudications that are incomplete in key areas. We additionally noted that the lack of full reciprocity of clearances—when a security clearance granted by one government agency is not accepted by another agency—is an outgrowth of agencies' concerns that other agencies may have granted clearances based on inadequate investigations and adjudications.

In deciding not to provide certain important information in its first annual report to Congress, DOD has limited the information available to Congress as it oversees the effectiveness of DOD's industry personnel security clearance processes. Specifically, by not including funding requirements for 2009 and beyond, DOD left out information Congress could use in making longer-term appropriation and authorization decisions for this program. In addition, by not including the times to complete phases of the clearance process other than the investigation, DOD makes it less apparent to Congress where the most significant timeliness gains can be made relative to the costs of improving the processes. Finally, by not including measures of quality in the clearance processes, DOD has only partially supported its assertion that it has made improvements to the clearance processes.

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## **Many of DOD's Records of the Numbers and Costs of Security Clearance Investigations and Adjudications Were Not Available or Were Considered Unreliable**

DOD reported that OPM conducted 81,495 investigations for the department in fiscal year 2005 and 138,769 in fiscal year 2006 and that DOD staff granted clearance eligibility to 113,408 industry personnel in fiscal year 2005 and 144,608 industry personnel in fiscal year 2006. However, we are unable to report the numbers and unit costs of investigations and adjudications for industry personnel for fiscal years 2000 through 2004, because DOD either was not able to provide data or supplied data that we found to be insufficiently reliable to report. Reliable information for fiscal years 2000 through 2004 was not available because of factors such as the abandonment of an electronic database for recording investigative and adjudicative information. Although some limitations are present for the numbers and costs data for industry personnel for fiscal years 2005 and 2006, our assessments show that they are sufficiently reliable for us to report them, along with explicit statements about their limitations.

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## **DOD Could Not Provide Sufficiently Reliable Information on the Numbers and Costs of Investigations and Adjudications for Fiscal Years 2000 through 2004**

Our assessments of data on the numbers and costs of investigations and adjudications for industry personnel for fiscal years 2000 through 2004 showed that DOD-provided information was not sufficiently reliable for us to report. The shaded portion of table 1 summarizes underlying factors that contributed to DOD's inability to provide us with reliable data. (In the next section, we report information provided to us by DOD on the numbers and costs of investigations and adjudications for fiscal years 2005 and 2006).

**Table 1: Underlying Factors that Contributed to the Reliability of DOD's Data on the Numbers and Costs of Investigations and Adjudications for Industry Personnel during Fiscal Years 2000 through 2006<sup>a</sup>**

<b>Fiscal year</b>	<b>Type of information assessed for data reliability</b>			
	<b>Number of investigations</b>	<b>Number of adjudications</b>	<b>Cost of investigations</b>	<b>Cost of adjudications</b>
2000	The former investigations database—the Case Control Management System—is no longer operational; and paper summary reports and other records maintained by different DOD offices show discrepancies in the numbers of investigations completed for these 5 fiscal years.	DOD did not designate the Joint Personnel Adjudications System as the official DOD-wide adjudications database until February 2005. Previously, adjudication data for industry clearances were stored in the Case Control Management System, which is no longer operational.	DOD transferred its investigative function and 1,800 authorized positions to OPM in February 2005. The transfer resulted in lost or misplaced records and reduced institutional knowledge in DSS's financial management office.	Neither of the DOD adjudication facilities—DISCO nor DOHA—can separate out industry adjudication costs from other expenses in its budget.
2001				
2002				
2003				
2004				
2005	DOD provided OPM data that have been generated since OPM began supplying the clearance investigations for industry personnel in fiscal year 2005.	DOD provided information from the Joint Personnel Adjudication System.	DOD provided rate information showing the amount OPM charged the department for each type of clearance investigation.	DOD estimated the cost information for this report by examining DSS expenditures and the numbers of adjudications performed.
2006				

Source: GAO analysis of DOD data.

<sup>a</sup>The shaded portions of table 1 summarize underlying factors that contributed to DOD's inability to provide us with reliable data.

When we assessed the reliability of DOD-provided information on the numbers of investigations for industry personnel, we found discrepancies in the fiscal years 2000 through 2004 summary records kept by two DOD offices: DSS and OUSD(C). The discrepancies in the annual numbers of investigations ranged from 3 to 48 percent. Relative to the numbers found in DSS records, OUSD(C) records showed 3 percent more investigations for secret clearances had been completed in fiscal year 2001 and 48 percent fewer investigations for initial top secret investigations had been completed in fiscal year 2000. The original source of data for both offices' records was DOD's Case Control Management System (CCMS), which had formerly been used to electronically store data on DOD personnel security clearance investigations. DOD stopped maintaining CCMS in conjunction with the department's transfer of DSS's investigative functions and personnel to OPM in February 2005. DOD estimated that it could save \$100 million over 5 years in costs associated with maintaining and updating CCMS by instead using OPM's Personnel Investigations Processing System for electronically storing investigations data. Because CCMS is no longer available, we were unable to determine which—if either—office's data

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were sufficiently reliable for the purposes of this report. While DOD no longer has access to the CCMS software tool needed to aggregate the associated personnel security clearance data, individual files on industry personnel have been archived and are available for access (e.g., when someone renews a clearance).

We are similarly unable to report the number of adjudications for fiscal years 2000 through 2004, because DOD could not provide information that was sufficiently reliable for the purposes of this report. Sufficiently reliable data were not available for this period because the Joint Personnel Adjudications System (JPAS) did not become the official DOD adjudication database until February 2005. In the prior years, DSS had stored adjudication-related information on industry personnel in CCMS—which is no longer operational. A DSS official indicated that JPAS provides pre-2005 adjudication information inaccurately because of problems DOD experienced when transitioning from CCMS to JPAS.

We found cost data on industry personnel clearances for fiscal years 2000 through 2004 to be insufficiently reliable, as evidenced by the inconsistency of the information that we obtained from DSS and OUSD(C). At the most extreme, the DSS records show that the cost for an investigation of a secret clearance in fiscal year 2004 was 486 percent higher than the rate reported in OUSD(C) records. DOD's ability to provide us with more reliable information was hampered by two factors. First, when DOD transferred its investigative function and 1,800 authorized positions to OPM in February 2005, the transfer resulted in lost or misplaced records and reduced institutional knowledge in DSS's financial management office. The DSS Director told us that DSS record keeping has not been a "strong suit" of the agency in the past. Second, DSS leadership has frequently changed over the past 5 years. For example, DSS had four acting directors in the 4 years before getting its current permanent Director, and it had nine comptrollers during the same period.

The unit cost for adjudications for fiscal years 2000 through 2004 for industry personnel clearances could not be computed, because the total cost of all adjudications and the number of adjudications—key variables in computing unit cost—were either unavailable or unreliable. For example, DSS officials told us that the budget records for this period did not differentiate the portion of DSS's budget used to fund DISCO, which adjudicates the majority of DOD's clearances for industry. Additionally, officials from DOHA, which adjudicates some industry cases, told us that they similarly could not accurately identify a unit cost for adjudications. DOHA officials told us that because their adjudicators conduct additional

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work besides security clearance work and those costs are not accounted for separately, estimates of the unit cost of the adjudicative work they perform would be speculative. Finally, as we discussed above, the data that DOD provided on the number of adjudications for 2000 through 2004 were not sufficiently reliable for the purposes of this audit.

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### DOD Provided Sufficiently Reliable Data on the Numbers and Costs of Investigations and Adjudications for Fiscal Years 2005 and 2006

DOD reported that OPM conducted 81,495 investigations of industry personnel for the department in fiscal year 2005 and 138,769 such investigations in 2006 (see table 2). The difference in the numbers of investigations for the 2 years is due largely to the fact that DOD could not provide reliable information on the number of investigations that DSS completed before the February transfer of investigative staff and functions to OPM. In both years, OPM provided DOD with more investigations for secret or confidential clearances than for top secret clearances. More secret/confidential clearances are historically required and performed as compared to top secret clearances, and data presented in table 2 are consistent with this trend.

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**Table 2: Numbers of Clearance Investigations Completed for Industry Personnel in Fiscal Years 2005 and 2006**

Fiscal year	Top secret: initial & renewal	Secret/confidential: <sup>a</sup> initial & renewal	Total
2005	16,397 <sup>b</sup>	65,098 <sup>b</sup>	<b>81,495<sup>b</sup></b>
2006	38,113	100,656	<b>138,769</b>

Source: GAO analysis of OPM data provided by DOD.

<sup>a</sup>The same type of investigation is used for determining both secret and confidential clearances.

<sup>b</sup>The numbers for fiscal year 2005 include only those investigations that OPM conducted. That is, information on investigations of industry personnel that DSS personnel completed before the February 2005 transfer was not available.

Using OPM-provided data, DSS determined that it had granted clearance eligibility to 113,408 industry personnel in fiscal year 2005 and 144,608 industry personnel in fiscal year 2006 (see table 3). The number of clearances granted in a year may not match the number of investigations conducted in that year because of the time that elapses between completion of the investigation and completion of the adjudication.

**Table 3: Numbers of Clearance Adjudications Completed for Industry Personnel in Fiscal Years 2005 and 2006**

Fiscal year	Top secret: initial & renewal	Secret/confidential: <sup>a</sup> initial & renewal	Total
2005	36,038	77,370	113,408
2006	40,477	104,131	144,608

Source: GAO analysis of OPM data provided by DOD.

<sup>a</sup>Secret and confidential clearances are included together because the clearance-eligibility determinations are generated from a single type of investigation, which generates less information than the investigative report required to determine eligibility for a top secret clearance.

For the 2 most recent of the 7 fiscal years specified in the mandate, the total estimated unit cost for the entire clearance process varied from \$290 for an initial or a renewal of a secret/confidential clearance to \$3,850 for the initial top secret clearance that is determined with a standard investigation (see table 4). The lower half of table 4 shows that investigations that are given higher priorities cost more.

**Table 4: Estimated Costs of Investigations, Adjudications, and Total Costs for Industry Personnel Security Clearances in Fiscal Years 2005 and 2006—Using OPM Standard and Priority Billing Rates**

Type of process used to determine clearance eligibility	Fiscal year 2005				Fiscal year 2006			
	DOD investigation cost	Surcharge	Adjudication unit cost <sup>a</sup>	Total unit cost	DOD investigation cost	Surcharge	Adjudication unit cost <sup>a</sup>	Total unit cost
<b>OPM standard billing rates for DOD</b>								
Initial top secret	\$3,000	\$750	\$100	<b>\$3,850</b>	\$3,150	\$600	\$90	<b>\$3,840</b>
Renewal of top secret	\$1,825	\$735	\$100	<b>\$2,660</b>	\$2,050	\$510	\$90	<b>\$2,650</b>
Renewal of top secret, using the phased periodic reinvestigation	N/A	N/A	N/A	N/A	\$1,625	\$310	\$90	<b>\$2,025</b>
Renewal of top secret, using an expanded phased periodic reinvestigation	N/A	N/A	N/A	N/A	\$1,075	\$205	\$90	<b>\$1,370</b>
Initial and renewal of secret and confidential	\$125	\$75	\$100	<b>\$300</b>	\$131	\$69	\$90	<b>\$290</b>
<b>OPM priority billing rates for DOD</b>								
Initial top secret	\$3,480	\$870	\$100	<b>\$4,450</b>	\$3,655	\$695	\$90	<b>\$4,440</b>
Renewal of top secret	\$2,125	\$850	\$100	<b>\$3,075</b>	\$2,375	\$600	\$90	<b>\$3,065</b>

Type of process used to determine clearance eligibility	Fiscal year 2005				Fiscal year 2006				Total unit cost
	DOD investigation cost	Surcharge	Adjudication unit cost <sup>a</sup>	Total unit cost	DOD investigation cost	Surcharge	Adjudication unit cost <sup>a</sup>	Total unit cost	
Renewal of top secret, using the phased periodic reinvestigation	N/A	N/A	N/A	N/A	\$1,900	\$360	\$90	\$2,350	
Renewal of top secret, using an expanded phased periodic reinvestigation	N/A	N/A	N/A	N/A	\$1,075	\$425	\$90	\$1,590	
Initial and renewal of secret and confidential	\$195	\$50	\$100	\$345	\$205	\$40	\$90	\$335	

Source: OPM data provided by DOD.

<sup>a</sup>Adjudication unit cost has been rounded from DOD's estimate of \$98.20 for fiscal year 2005 and \$87.51 for fiscal year 2006.

Regardless of whether the clearance was based on a standard or priority investigation, the primary reason for the difference in costs is due to the effort required to complete the different types of investigations. For example, our September 2006 report<sup>17</sup> noted that OPM estimated that approximately 60 total staff hours are needed for each investigation for an initial top secret clearance and 6 total staff hours are needed for each investigation to support a secret or confidential clearance. Another factor that causes variability in the cost of the clearance determination is whether investigators can use a phased reinvestigation. Starting in fiscal year 2006, the President authorized the use of phased reinvestigations, which do not require some types of information to be gathered during the renewal of a top secret clearance unless there are potentially derogatory issues found in earlier portions of the reinvestigation.

While the information in table 4 provides the estimated unit costs of investigations and adjudications and estimated total costs, several considerations suggest that the actual unit costs would be somewhat different from those shown in the table if OPM and DOD were to account for all of the costs. For example, the fixed costs for the investigations do not include any additional costs that DOD might incur should adverse information be revealed that requires an additional subject interview to address this information. In these instances, OPM charges DOD for an

<sup>17</sup> GAO-06-1070. Table 1 in our September 2006 report shows the types of information gathered for each type of clearance-eligibility determination.

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additional interview to resolve the issue before the case is adjudicated. In addition, if DOD sends an investigation report back to OPM with a request for additional interviews in order to reconcile conflicting information, there may be additional fees. DOD officials stated that cases requiring subsequent resolution of multiple issues could result in additional charges to address each issue. These special interviews cost \$515 in 2005 and \$430 in 2006. DOD was unable to provide data identifying the number of investigations that included these special interviews. Conversely, the 2006 investigation costs do not address a \$7 million refund that OPM made to DOD in September 2006; the refund pertained to a surcharge covering all DOD investigations that DOD had paid to OPM.

In fiscal years 2005 and 2006, DOD paid OPM a surcharge in addition to the base rate OPM charged DOD to conduct investigations. The surcharge amounts were 25 percent in fiscal year 2005 and 19 percent in fiscal year 2006. DOD and OPM agreed to this surcharge in a memorandum of understanding that defined the terms of the transfer of the investigative functions and personnel from DSS to OPM. This surcharge was intended to offset any potential operating losses that OPM incurred in taking over the investigative function from DSS. However, disagreements between DOD and OPM about the amount of the surcharge led to mediation between the agencies in September 2006 and resulted in a retroactive reduction of the surcharge to 14 percent for the third quarter of fiscal year 2006 and an elimination of the surcharge for fiscal year 2007 and beyond.<sup>18</sup>

The unit costs of the adjudications—\$100 in fiscal year 2005 and \$90 in fiscal year 2006—are approximations that must be viewed with some caution. DOD officials acknowledged that while they provided a single value for the unit cost of both top secret and secret/confidential adjudications, the actual time to adjudicate top secret clearance-eligibility determinations is roughly twice that required to adjudicate secret/confidential clearance-eligibility determinations. Furthermore, the DOD-supplied unit cost estimate for adjudications does not account for the cost associated with the additional work required to adjudicate derogatory information in some of the cases that are sent to DOHA. Prior to 2005, DSS had not differentiated the adjudication portion of its budget from other functions in its budget.

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<sup>18</sup>DOD Office of the Inspector General, *Transition Expenditures for DOD Personnel Security Investigations for FY 2005*, D-2007-083 (Arlington, Va.: Apr. 10, 2007).

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## DOD's Procedures for Projecting Future Investigation Needs and Its Plans for Improving and Funding the Industry Clearance Program Are Evolving

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### DOD's Method for Estimating the Numbers of Industry Personnel Clearance Investigations Needed in the Future Is Evolving

Changes are occurring in the way in which DOD estimates its future investigations needs, as well as its plans and funding for modifying the personnel security clearance program for industry personnel. The procedures for estimating the numbers of clearance investigations needed annually for industry personnel are being revised in an attempt to improve the accuracy of those estimates. Similarly, DOD is not pursuing DOD-specific planning for reducing backlogs and delays as well as steps to adequately fund its clearance process but instead is participating in governmentwide planning efforts to improve clearance processes.

DOD is changing the methods it uses to estimate the numbers of security clearance investigations it will need for industry personnel in the future in an effort to improve the accuracy of those estimates. Since 2001, DOD has conducted an annual survey of contractors performing classified work for the government in order to estimate future clearance-investigation needs for industry personnel. In November 2005, OMB reported a governmentwide goal whereby agencies have been asked to work toward refining their projections to be within 5 percent of the numbers of actual requests for investigation.<sup>19</sup> However, DOD has had difficulties in projecting its departmentwide clearance needs accurately. For the first half of fiscal year 2006, OPM reported that DOD had exceeded its departmentwide projection by 59 percent. The negative effects of such inaccurate projections include impediments to workload planning and funding.

We have addressed the impact that inaccurate projections have on workload planning in our prior work. In 2004, we recommended that OUSD(I) improve the projections of clearance requirements for industry personnel—for both the numbers and types of clearances—by working with DOD components, industry contractors, and the acquisition community to identify obstacles and implement steps to overcome them. At that time, DOD officials attributed inaccurate projections to (1) the fact that the voluntary annual survey was answered by only a small fraction of the more than 10,000 cleared contractor facilities, (2) the use of some industry personnel on more than one contract and often for different agencies, (3) the movement of employees from one company to another,

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<sup>19</sup>OMB, *Plan for Improving the Personnel Security Clearance Process* (November 2005).

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and (4) unanticipated world events such as the September 11, 2001, terrorist attacks.

In its efforts to improve its estimates of future clearance investigation needs, DSS has made recent changes to the methods it uses to develop these estimates; and it is conducting research that may change these methods further.<sup>20</sup> First, starting in 2006, DSS made its annual survey accessible through the Internet. Second, DSS field staff made a more concerted effort to actively encourage industry representatives to complete the voluntary survey. According to a DSS official, these two changes increased the response rate of the survey, from historical lows of between 10 and 15 percent of surveyed facilities in previous years, to 70 percent of facilities responding in 2007, representing 86 percent of industry personnel with a clearance in fiscal year 2007. Third, during fiscal year 2007, DSS began performing weekly updates to the analysis of future investigation needs, rather than relying on the previous method of performing a onetime annual analysis. Fourth, DSS has changed its analysis procedures by including variables (e.g., company size) not previously accounted for and is using a statistical method that substitutes values for missing survey data. In addition, DOD's Personnel Security Research Center is assessing a statistical model for estimating future investigation needs in order to determine if a model can supplement or replace the current survey method.

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#### DOD Currently Has No Plan of Its Own to Improve the Clearance Process but Is Participating in Related Governmentwide Efforts

Modifications to DOD's personnel security clearance program are changing from a DOD-specific emphasis to one that focuses on governmentwide efforts. Consequently, DOD does not have a comprehensive plan to address department-specific clearance backlogs, delays, and program funding. The principles of the Government Performance and Results Act of 1993 provide federal agencies with a basis for a results-oriented framework that they can use to construct comprehensive plans that include setting goals, measuring performance, and reporting on the degree to which goals are met. In addition, the Intelligence Reform and Terrorism Prevention Act of 2004 provides DOD with timeliness requirements that would need to be met in any such comprehensive plan addressing clearance backlogs and delays.

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<sup>20</sup>Although OUSD(I) officials provided us with information which may indicate that DOD improved the accuracy of its estimates of future clearance investigation needs for industry in fiscal year 2007, we were not able to analyze and corroborate this evidence because it was provided after we had concluded the analysis phase of our audit.

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In our 2004 report<sup>21</sup> on personnel security clearances for industry personnel, we recommended that DOD develop and implement an integrated, comprehensive management plan to eliminate the backlog, reduce the delays in conducting investigations and determining eligibility for security clearances, and overcome the impediments that could allow such problems to recur. At that time, DOD had been reacting to the impediments in a piecemeal fashion, rather than establishing an integrated approach that incorporated objectives and outcome-related goals, set priorities, identified resources, established performance measures, and provided milestones for permanently eliminating the backlog and reducing the delays.

The DSS Director told us that DSS had been drafting a comprehensive plan to improve the security clearance process for industry personnel, but new governmentwide efforts have supplanted the larger-scale initiatives that DSS was planning. However, according to OUSD(I) officials, DOD continues to pursue a limited number of smaller-scale initiatives to address backlogs and delays and to ensure that funding is available for its security clearance processes. For example, to address delays in the processes, DOD is working with OPM to introduce methods of obtaining applicants' fingerprints electronically and to implement a method that would enable OPM to transfer investigative records to DOD adjudicators electronically. To help ensure that funding is available for its security clearance program, DOD is examining the number of clearances it funds and undertakes for industry personnel who work with 23 other federal agencies and departments. The DSS Director indicated that DOD is considering the cost it incurs for providing clearance-related services and the feasibility of shifting the funding responsibility back to the federal agencies and departments that request the clearances through DOD.

High-level attention has been focused on improving personnel security clearance processes governmentwide. Since June 2005, OMB's Deputy Director of Management has been responsible for a leadership role in improving the governmentwide processes. During that time, OMB has overseen, among other things, the issuance of reciprocity standards, the growth of OPM's investigative workforce, and greater use of OPM's automated clearance-application system. An August 9, 2007, memorandum from the Deputy Secretary of Defense indicates that DOD's clearance program is drawing attention at the highest levels of the department.

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<sup>21</sup> GAO-04-632.

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Streamlining security clearance processes is one of the 25 DOD transformation priorities identified in the memorandum.

Another indication of high-level governmentwide involvement in addressing problems in clearance processes is the formation of an interagency security clearance process reform team in June 2007. The team's memorandum of agreement indicates that it seeks to develop, in phases, a reformed DOD and intelligence community security clearance process that allows the granting of high-assurance security clearances in the least time possible and at the lowest reasonable cost. The team's July 25, 2007, terms of reference indicate that the team plans to deliver "a transformed, modernized, fair, and reciprocal security clearance process that is universally applicable" to DOD, the intelligence community, and other U.S. government agencies, no later than December 31, 2008. In our November 2007 discussions with DOD officials, the OUSD(I) Director of Security clarified that the government expects to have demonstrated the feasibility of components of the new system by December 2008, but the actual system would not be operational for some additional unspecified period.

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## Conclusions

While DOD's initial report on security clearances addressed all of the issues specified in the mandate, the omission of certain important information on the same issues currently limits Congress's ability to carry out its oversight and appropriations functions pertaining to industry personnel security clearances. For example, inclusion of only one future year of budgeting information limits the report's usefulness for strategic appropriations and oversight purposes. Without more information on DOD's longer-term funding needs for industry personnel security clearances, Congress lacks the visibility it needs to fully assess appropriations requirements. Elsewhere, DOD provides such longer-term funding projections as a tool for looking beyond immediate budget priorities. Specifically, DOD annually submits to Congress the FYDP, which contains budget projections for the current budget year and at least the 4 succeeding years. Similarly, congressional oversight is hampered by the absence of information specific to industry personnel on timeliness measures for the average number of days it takes to perform portions of the clearance process—such as the adjudication phase—for pending and completed cases. Without these additional statistics, there is limited transparency for monitoring the progress that DOD and OPM are making annually in streamlining investigative and adjudicative tasks. Finally, DOD's report did not include any metrics on quality, even though we have previously recommended—in multiple reports and testimonies—that DOD

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and other parts of the government develop and report such measures for their clearance processes. Problems with the quality of investigations and adjudications can lead to negative consequences—such as the reluctance of agencies to accept clearances issued by other agencies—and can thereby increase waste in the form of unnecessary additional workload for the entire clearance community. Inclusion of these three types of data in the future annual reports appears feasible, based on statements in DOD’s initial report that acknowledged the availability or ongoing development of each type of data.

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## Recommendations for Executive Action

To improve the quality of the information that DOD provides in future reports to Congress for monitoring the security clearance process for industry personnel, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the department’s initial mandated report. We therefore recommend the following three actions:

- Add projected funding information for additional out years so that Congress can use that input in making strategic appropriation and authorization decisions about the clearance program for industry personnel.
- In addition to the mandated information on average delays for pending cases; provide timeliness data for the additional phases within the clearance process, to allow for greater transparency regarding which processes are working well and which need improvement.
- Develop measures of quality in the clearance process and include them in future reports, to explicitly show how DOD is balancing quality and timeliness requirements in its personnel security clearance program.

## Agency Comments and Our Evaluation

In written comments on a draft of this report, OUSD(I) concurred with all three of our recommendations. OUSD(I) noted that DOD agrees the recommended additional information will aid Congress in its oversight role and its future annual reports—starting in 2009—will include the suggested information. Regarding our funding recommendation, OUSD(I) noted its plans for addressing out year funding in the future and discussed the difficulty in capturing infrastructure costs such as those needed to sustain the current adjudication system and build a new information technology system. With regard to our recommendation on quality, DOD noted that the Personnel Security Research Center is leading the effort to further define measures, develop collection methodology, and suggest

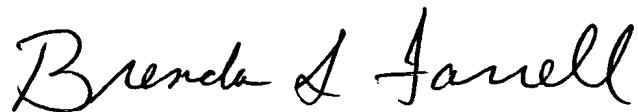
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collection methods. DOD's comments are included in their entirety in appendix II of this report.

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We are sending copies of this report to interested congressional committees; the Secretary of Defense; the Director of the Office of Management and Budget; and the Director of the Office of Personnel Management. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff has any questions about this report, please contact me at (202) 512-3604 or farrellb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is fluid and cursive, with "Brenda" on top and "S. Farrell" below it.

Brenda S. Farrell  
Director  
Defense Capabilities and Management

# Appendix I: Scope and Methodology

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## Scope

The scope and methodology of this report follow from the questions it answers. This report answers the following questions: (1) To what extent does the Department of Defense's (DOD) August 2007 report to Congress address the five issues specified in the mandate? (2) What were the number and cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006? (3) To what extent has DOD developed procedures to estimate the number of investigations to be conducted; plans to reduce delays and backlogs in the clearance program, if any; and provide funding?

In 2006, the John Warner National Defense Authorization Act for Fiscal Year 2007 mandated that (1) DOD report annually on the future requirements of its industry personnel security investigations program and (2) we evaluate DOD's first report in response to this mandate and provide additional information on eight issues. For our review of the DOD report, our scope was largely limited to information in the DOD report. The report included information on initial and renewal top secret, secret, and confidential clearances for industry personnel and information about program funding, the size of the backlog, the average time to complete investigations, and changes to the process. For the additional information on the number and cost—including information on surcharges that DOD paid to the Office of Personnel Management (OPM)—of each type of industry clearance work performed in DOD's personnel security clearance program, we limited our scope to DSS- and OPM-conducted investigations and DOD adjudications of initial and renewal top secret, secret, and confidential clearances for industry personnel completed in fiscal years 2000 through 2006. For the additional information on planning and investigation requirements-estimation procedures, our scope included DOD and governmentwide plans and on-going efforts as well as DOD-specific procedures for estimating the numbers of future initial and renewal top secret, secret, and confidential clearances which will be needed for industry personnel.

## Methodology

To determine the extent to which DOD's report addressed each of the five issues specified in the mandate, we reviewed various documents, including laws and executive orders, DOD security clearances policies, OPM security clearances policies, and DOD and governmentwide data quality policies and regulations. These sources provided the criteria used for assessing the DOD report on personnel security clearances for industry. The sources also provided insights into possible causes and effects related to our findings about whether the DOD report addressed each of the issues specified in the mandate. We also reviewed clearance-

related reports issued by organizations such as GAO, DOD's Office of Inspector General (DODIG), and DOD's Personnel Security Research Center. We interviewed and obtained and evaluated documentary evidence from headquarters policy and program officials from various offices (see the column for question 1 in table 5) in DOD, OPM, and the National Archives and Records Administration (NARA). We compared the findings in the DOD report to the mandated requirements and governmentwide and DOD-wide data quality standards. We also interviewed and discussed our observations of the DOD report with officials from various DOD offices.

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**Table 5: Sources Providing Documentary and/or Testimonial Evidence as a Result of Personal or Telephonic Interviews**

Office	Office provided information to answer		
	Question 1	Question 2	Question 3
DOD			
OUSD(I), The Pentagon, Arlington, Virginia	X	X	X
OUSD(C), The Pentagon, Arlington, Virginia	X	X	X
DODIG, The Pentagon, Arlington, Virginia	X		X
DSS, Alexandria, Virginia	X	X	X
DISCO, Columbus, Ohio		X	
DOHA, Columbus, Ohio		X	
Personnel Security Research Center, Monterey, California		X	X
NARA, Information Security Oversight Office, Washington, DC	X		X
OPM, Washington, DC		X	

Source: GAO.

To determine the number and cost of each type of clearance investigation and adjudication for industry personnel performed in fiscal years 2000 through 2006, we obtained and analyzed data from the Defense Security Service (DSS), the Office of the Under Secretary of Defense for the Comptroller [OUSD(C)], the Defense Industrial Security Clearance Office (DISCO), and the Defense Office of Hearings and Appeals (DOHA). Before determining the numbers and types of investigations and clearances, we assessed the reliability of the data by (1) interviewing knowledgeable officials about the data and the systems that produced them; (2) reviewing relevant documentation; and (3) comparing multiple sources (e.g., DSS vs.

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OUSD(C) records) for consistency of information and examining patterns in the data (e.g., the percentage of all adjudications in a given fiscal year that were for top secret clearances). Our analyses showed the numbers and costs of investigations and adjudications completed in fiscal years 2000 through 2004 were not sufficiently reliable for the purposes of this report as we have previously discussed. In contrast we found the data for fiscal years 2005 and 2006 to be sufficiently reliable for our purposes but explicitly noted limitations with those data. The data for these 2 more recent years used different databases than those used to capture the earlier 5 years. Our methodology to determine the numbers and costs of investigations and adjudications for fiscal years 2005 and 2006 included the following:

- Numbers of investigations: We obtained and analyzed data from OPM's Personnel Investigations Processing System that DSS provided to us.
- Numbers of adjudications: We obtained and analyzed data from the Joint Personnel Adjudications System.
- Costs of investigations: We obtained and analyzed investigation rate data in Financial Investigative Notices published by OPM. While we found limitations associated with these types of data for fiscal years 2005 and 2006, we found that the information was sufficiently reliable for the purposes of this report.
- Surcharge for investigations: We obtained and analyzed documentary and testimonial evidence from DSS and OUSD(C) officials.
- Costs of adjudications: We obtained and analyzed unit cost information that DSS officials produced for this report to show the cost of DISCO-provided adjudications and discussed the limitations of these data in the report. Although DOHA reported a unit cost for adjudications for fiscal year 2006, we did not report that statistic because our assessment revealed that it was not sufficiently reliable for the purposes of this report.

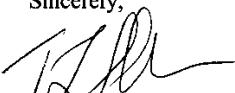
Finally, we interviewed headquarters policy and program officials from various offices (see question 2 in table 5) in DOD, OPM, and NARA to obtain their perspectives on our observations of these data.

To determine the extent to which DOD has developed procedures to estimate the number of future investigations needed for industry personnel and the extent to which DOD has plans to reduce delays and backlogs and provide funding, we took the following actions. We reviewed relevant laws, regulations, and DOD security clearances policies. These sources provided the criteria that we used in our evaluations. We also reviewed relevant clearance-related reports issued by organizations such as GAO, DODIG, and DOD's Personnel Security Research Center. We

interviewed headquarters policy and program officials from the organizations shown in table 5 (see the column for question 3). Our methodology to determine the extent to which DOD has developed procedures to estimate the number of future investigations needed for industry personnel included three steps: (1) we obtained and analyzed documents describing DOD's procedures for estimating the number of industry investigations, (2) we reviewed DSS's Internet-based survey of contractors who perform classified work for the government and discussed our observations of this survey with the DSS Director and DSS officials responsible for this survey, and (3) we reviewed documents obtained from DOD officials describing ongoing research on potential changes to the methods DOD uses to make these estimates. Finally, our methodology to determine the extent to which DOD has plans to reduce delays and backlogs and provide funding included reviewing documents obtained in interviews with officials at the Office of the Under Secretary of Defense for Intelligence [OUSD(I)] and DSS. In particular, we reviewed and analyzed the Memorandum of Agreement between the Director of National Intelligence and the Under Secretary Of Defense (Intelligence) concerning the clearance process reengineering team. We also reviewed an August 2007 memorandum from the Deputy Secretary of Defense listing the top 25 transformation priorities for DOD, one of which is streamlining the security clearance process.

We conducted this performance audit from May 2007 through February 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Comments from the Department of Defense

 INTELLIGENCE	<p>OFFICE OF THE UNDER SECRETARY OF DEFENSE 5000 DEFENSE PENTAGON WASHINGTON, DC 20301-5000</p> <p>FEB 05 2008</p> <p>Ms. Brenda S. Farrell Director, Defense Capabilities and Management U.S. Government Accountability Office 441 G Street, N.W. Washington, D.C. 20548</p> <p>Dear Ms. Farrell:</p> <p>This is the Department of Defense (DoD) response to the GAO draft report, GAO-08-350, 'DoD PERSONNEL CLEARANCES: Improved Annual Reporting Would Enable More Informed Congressional Oversight,' dated January 17, 2008 (GAO Code 350986)."</p> <p>The recommendations ask the Department to provide information outside of the 2006 Congressional mandate to report annually on the future requirements of the industry personnel security program. The Department agrees the additional information will aid Congress in its oversight role and our future annual reports will include this information as suggested. The recommendations will be implemented in the Department's 2009 report as they were received after submission of this year's report.</p> <p>I appreciate the opportunity to comment on the report and the professionalism and courtesy of your personnel. My point of contact is Rosalind Baybutt at (703) 604-1138 or <a href="mailto:rosalind.baybutt@osd.mil">rosalind.baybutt@osd.mil</a>.</p> <p>Sincerely,</p>  <p>Troy L. Sullivan Acting Deputy Under Secretary of Defense (Counterintelligence and Security)</p> <p>Enclosure: As stated</p> 
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**GAO DRAFT REPORT - DATED JANUARY 17, 2008  
GAO CODE 350986/GAO-08-350**

**"DoD PERSONNEL CLEARANCES: Improved Annual Reporting Would Enable  
More Informed Congressional Oversight"**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the Department's initial mandated report by adding projected funding information for additional out years so that Congress can use that input in making strategic appropriation and authorization decisions about the clearance program for industry personnel.

**DOD RESPONSE:** Concur. After an extensive review within DoD by the Comptroller and Program Advisory and Execution (PA&E) process, it was determined that the DSS funding was not sufficient. A fix was implemented for the FY08 and FY09 funding lines and the entire DSS program will be reevaluated for the FY10 Program Objective Memorandum (POM). Therefore, showing any numbers beyond FY09 would not have reflected accurate information. Once the POM process has been completed and the DSS funding stabilized, the Department will include projected funding for the out years.

Second, the report cites Congressional testimony by the Director of DSS that "it would need tens of millions of dollars in the future to maintain the infrastructure supporting the program and to cover operating costs." The testimony cited referred to the cost to sustain the Joint Personnel Adjudication System (JPAS) and to build a successor IT system. The budget numbers reflected in the Department's Report to Congress (CDA) refer to the amount budgeted by DoD for direct reimbursement costs to the Office of Personnel Management for Personnel Security Investigations for Industry. There is no accounting mechanism within the Department to capture infrastructure costs, such as those for JPAS, and apply them to this direct cost.

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the Department's initial mandated report by providing timeliness data for the additional phases within the clearance process to allow for greater transparency regarding which processes are working well and which need improvement.

**DOD RESPONSE:** Concur.

**RECOMMENDATION 3:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to augment the information contained in the Department's initial mandated report by developing measures of quality in the clearance process and including them in future reports to explicitly show how DoD is balancing quality and timeliness requirements in its personnel security clearance program.

**DOD RESPONSE:** Concur. Using the Office of Management and Budget Program Assessment Rating Tool, the Department has developed three key baseline performance measures, cost of investigations and adjudications, timeliness of the clearance process and quality of investigations and adjudications. The Personnel Security Research Center (PERSEREC) has the lead to further define the measures, develop collection methodology and recommend collection tools.

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# Appendix III: Contact and Staff Acknowledgments

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## GAO Contact

Brenda S. Farrell, (202) 512-3604 or farrellb@gao.gov.

## Acknowledgments

In addition to the contact named above, Jack E. Edwards, Assistant Director; Joanne Landesman; James P. Klein; Ron La Due Lake; Thomas C. Murphy; Beverly C. Schladt; and Karen Thornton made key contributions to this report.

# Related GAO Products

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*Defense Business Transformation: A Full-time Chief Management Officer with a Term Appointment Is Needed at DOD to Maintain Continuity of Effort and Achieve Sustainable Success.* [GAO-08-132T](#). Washington, D.C.: October 16, 2007.

*DOD Personnel Clearances: Delays and Inadequate Documentation Found For Industry Personnel.* [GAO-07-842T](#). Washington, D.C.: May 17, 2007.

*High-Risk Series: An Update.* [GAO-07-310](#). Washington, D.C.: January 2007.

*DOD Personnel Clearances: Additional OMB Actions Are Needed To Improve the Security Clearance Process.* [GAO-06-1070](#). Washington, D.C.: September 28, 2006.

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*DOD Personnel Clearances: DOD Needs to Overcome Impediments to Eliminating Backlog and Determining Its Size.* [GAO-04-344](#). Washington, D.C.: February 9, 2004.

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